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United States Requests WTO Panel in Dispute on Canadian Wheat Board

WASHINGTON – The Office of the United States Trade Representative announced today the United States would seek formation of a World Trade Organization dispute settlement panel to examine the wheat trading practices of the Government of Canada and the Canadian Wheat Board (CWB).

The United States' panel request also challenges Canada's requirements to segregate imported wheat in the Canadian grain handling system and Canada's discriminatory policy that affects the access of U.S. grain to Canada's rail transportation system. The request for a WTO panel is the next step in the U.S. case against Canada, which was announced last December, and continues the Administration's aggressive pursuit of ensuring a fair trading system for U.S. farmers.

Background

Under WTO procedures, the first step in the dispute settlement process is for both parties to hold formal consultations. The United States requested those consultations with Canada on December 17, 2002, and the consultations were held on January 31, 2003. During the consultations, Canada expressed no willingness to make any modifications to its wheat trading practices. Accordingly, the United States is proceeding with the next step in the process, which is the request for the establishment of a panel of independent experts to determine whether the defending Party is acting consistently with international trade rules.

On February 15, 2002, U.S. Trade Representative Robert B. Zoellick released an affirmative finding after an investigation under section 301 of the Trade Act of 1974. In the finding, Zoellick described the multiple avenues USTR would take to seek relief for American wheat farmers from the unfair trading practices of the CWB, a government state trading enterprise. In April 2002, U.S. Chief Agriculture Negotiator Allen F. Johnson went to North Dakota to hear directly from wheat farmers on the CWB's unfair competition.

There are four prongs to the February 2002 plan, which the Administration is pursuing aggressively.

First, the plan called for the examination of a possible WTO challenge, which USTR is pursuing with today's action.

Second, the Administration committed to work with the U.S. industry to examine the possibility of filing antidumping and countervailing duty petitions. The North Dakota Wheat Commission filed petitions on September 13, 2002. On March 4, 2003, the U.S. Department of Commerce issued a preliminary determination in the countervailing duty investigation, announcing a 3.94 percent countervailing duty to be applied provisionally while the dumping and countervailing duty investigations continue.

Third, USTR announced that it would work with the U.S. industry to identify impediments to U.S. wheat entering Canada. The elements of the WTO case regarding Canada's grain segregation requirements and rail transportation rules is a direct result of those efforts.

Fourth, the United States committed to seek reform of state trading enterprises through the adoption of new rules in the WTO agriculture negotiations, which are part of the Doha Development Agenda launched in November 2001. The United States is aggressively pursuing this negotiating objective. In particular, the United States has proposed eliminating export monopolies so that any producer, distributor, or processor can export agriculture products. The United States has also proposed ending special financial privileges which are granted to state traders and expanding their WTO transparency obligations.

The United States is pleased that U.S. proposals to reform export state trading enterprises, such as the Canadian Wheat Board, have been incorporated into the initial negotiating framework issued in February by the WTO Chairman of the agriculture negotiations (Stuart Harbinson). This initial framework reflects the broader concerns within the multilateral trading system regarding state trading enterprises, including the need to eliminate monopoly powers, eliminate special government financing, and make operations of such entities transparent. The United States is continuing to build a coalition of other WTO member countries in the ongoing trade negotiations who support this position.

The North Dakota Wheat Commission and the broader U.S. wheat industry support the Administration's decision to file a WTO case on the wheat trading practices of the CWB.

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